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Labor Presses Case Against Privatizing Social Security

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NEW YORK, Jan. 18 -- The AFL-CIO on Tuesday stepped up its opposition to private Social Security accounts, accusing Wall Street's main trade group, the Securities Industry Association, of campaigning in favor of policy changes that would put workers' retirement at risk while showering billions of dollars in fees on SIA members.

"Support for privatizing Social Security creates a conflict of interest for the member firms of the SIA like those which led to the financial industry scandals of recent years," AFL-CIO President John J. Sweeney wrote in a letter to SIA Chairman Daniel J. Ludeman.

The labor federation began to take a more aggressive stand on corporate governance issues after scandals at Enron Corp., WorldCom Inc. and other companies. The scandals cost thousands of jobs and vaporized the retirement savings of many workers.

The SIA board of directors is scheduled to meet here on Wednesday. The group is expected to discuss its Social Security lobbying strategy.

The Bush administration is pressing for major changes to Social Security, including allowing workers to put some of their payroll taxes into private investment accounts. Bush has said the existing system will go bankrupt without major changes. Opponents of privatization have accused Bush of vastly exaggerating the program's financial difficulties.

For the most part, Wall Street executives have been silent on the issue, though the SIA has long favored private accounts.

Ludeman, who is also chief executive and president of Wachovia Securities LLC, declined to comment on Sweeney's letter. SIA President Marc E. Lackritz also declined to comment.

SIA spokesman Daniel V. Michaelis said the association was doing what all trade groups do, assessing a policy issue and determining what broad position would be most beneficial to its members.

"SIA's position is that Social Security needs to be fixed and needs to be fixed sooner rather than later," Michaelis said. "We are looking at that task in a constructive way and looking for solutions. That's a better approach than just being negative."

William B. Patterson, director of the office of investments at the AFL-CIO, said partial privatization of Social Security is too big a public policy issue to be decided by "business as usual" in which trade groups in Washington take the lead in speaking for corporate interests.

"The stakes are like 100 million times higher" than most other issues, Patterson said. "This debate is critical to the development of the country and the capital markets."

Exactly how much Wall Street firms could earn from private Social Security accounts depends to a large degree on how much workers are allowed to invest and on any limits the federal government places on fees.

Last year, University of Chicago economist Austan D. Goolsbee released a report suggesting that private accounts could earn as much as $940 billion in fees for Wall Street. The SIA then released its own report, widely viewed as a rebuttal to Goolsbee, estimating the amount at $39 billion to $279 billion over 75 years.